# Rolland,
# 1970 Annual Report

**43rd Annual Report**

ROLLAND PAPER COMPANY, LIMITED
Papermaking Specialists

Head Office:
800 Victoria Square, Suite 3620
Montreal 115, Quebec

Sales Offices:
Montreal, Toronto and Quebec

Paper Mills:
St. Jerome and Mont Rolland, Quebec
and Scarborough, Ontario

**Table of Contents**



THE ROAD AHEAD, A CAREFUL MIXTURE OF CONTROLLING AND PLANNING.

The Annual General Meeting of Shareholders will be held at the Head Office of the Company, 800 Victoria Square, Suite 3620, Montreal, Quebec, at 4:00 P.M., March 31, 1971.

Si vous préférez recevoir votre rapport annuel en français, prière d'aviser le Secrétaire, Compagnie de Papier Rolland, Limitée, 800, Place Victoria, Suite 3620, Montréal 115, Québec.

## Directors

Hon. John B. Aird, Q.C.
Partner, Edison, Aird & Berlis,
Barristers and Solicitors
Toronto

G. Drummond Birks, B.Comm.
Vice-President, Henry Birks & Sons Limited
Montreal

Paul Chapdelaine, C.A.
President and General Manager
St. Lawrence Cement Company
Montreal

E. Jacques Courtois, Q.C.
Partner, Laing, Weldon, Courtois, Clarkson,
Parsons, Gonthier & Tétrault
Montreal

Richard A. Irwin
Chairman of the Board and
Chief Executive Officer
Consolidated-Bathurst, Limited
Montreal

Herménégilde A. LeBlanc, C.A.
Secretary, Rolland Paper Company, Limited
Montreal

*Gérard Plourde, M.Comm.
Chairman of the Board, UAP Inc.
Montreal

*Albert Rolland
Vice-President and Marketing Consultant
Rolland Paper Company, Limited
Laval

*Lucien G. Rolland, B.A., B.A.Sc., C.E.
President and General Manager
Rolland Paper Company, Limited
Montreal

Marc Rolland
Retired Executive
St. Jerome

Olivier Rolland
Retired Executive
Montreal

*Joseph A. Weldon, C.A., M.B.E.
Vice-President and Financial Consultant
Rolland Paper Company, Limited
Montreal

## Officers

Lucien G. Rolland
President and General Manager

Joseph A. Weldon
Vice-President and Financial Consultant

Albert Rolland
Vice-President and Marketing Consultant

Jean-Louis Chollet, Eng.
Vice-President—Manufacturing

Hugh M. Craig, B.Sc., Ph.D.
Vice-President—Sales

Bruno Julien, B.A., M.A., M.B.A.
Vice-President—Personnel

Alphonse St. Jacques, C.A.
Vice-President and Treasurer

Herménégilde A. LeBlanc, C.A.
Secretary

**Transfer Agents**
Montreal Trust Company
Royal Trust Company

**Registrars**
Canadian Trust Company
Bankers Trust Company

**Shares Listing**
Montreal Stock Exchange
Toronto Stock Exchange

**Auditors**
Touche, Ross & Co.

*Member of the Executive Committee.

| | 1970 | 1969 |
|---|---|---|
| Net sales | **$34,084,751** | $35,647,256 |
| Net Earnings (loss) | **(421,871)** | 1,536,074 |
| Per class "A" share | **(0.25)** | 0.82 |
| Per class "B" share | **(0.29)** | 0.77 |
| Cash Dividends | **534,007** | 712,009 |
| Per class "A" share | **0.30** | 0.40 |
| Per class "B" share | **0.26** | 0.35 |
| Cash Flow | **585,631** | 2,665,881 |
| Per class "A" share | **0.30** | 1.43 |
| Per class "B" share | **0.26** | 1.38 |
| Book Value per class "A" and "B" shares | **8.85** | 9.40 |
| Working Capital | **7,750,985** | 9,901,323 |
| Long-term Debt | **8,024,500** | 8,751,000 |
| Capital Expenditures | **693,710** | 841,311 |

1970 was the most difficult and unstable year of the past two decades for your Company. It was marked by severe labour troubles, a sustained disruption of production and inflated costs. A lower level of economic activity spurred domestic and foreign competition and prevented any price increases. These factors contributed to generate a net loss of $421,871 for the current year.

Following the earnings record of previous years, the results of the current year constitute a dramatic change. However, definite conclusions as to the Company's future performance cannot be based on these results. Some negative factors, no doubt, will continue to lower the profit margin, but your Directors feel that the earnings position can eventually be restored. In view of the loss experienced this year and of the short-term problems facing the Industry, your Directors decided to omit the payment of dividends on class "A" and class "B" shares.

**Sales Volume**

The overall domestic fine paper market was weak. Shipments increased by merely 3.7% forcing Canadian producers into a very competitive situation.

Your Company was unable to compete effectively in this environment as a result of a sustained disruption of production schedules which culminated in a strike which lasted for forty-two calendar days. Starting in May, our employees refused to continue the seven day schedule. Our ability to deliver as quickly as our competitors was impaired. Long-term commitments and the requirements of stock build-up, as a protection against a possible work stoppage, further reduced our available capacity. The situation lasted until July 28 at which date the St. Jerome and Mont Rolland mills were completely shutdown by a strike. Orders were cancelled and our relationship with customers was substantially affected. At year-end we had not recovered our normal share of the market and the overall sales volume was down substantially.

**Sales Revenue**

The volume decrease was further aggravated by lower sales revenue. Ever since the tariff reductions agreed to under the Kennedy Round and the unilateral acceleration of these reductions conceded by the Federal Government in the June 1969 budget, we have witnessed heavy competition from American producers. The unpegging of the Canadian dollar and the over capacity of American fine paper mills have increased competition from the United States.

The reaction of Canadian manufacturers was to reduce selling prices and to introduce a variety of new and cheaper grades. Such a course of action was in obvious and flagrant contradiction with the need of the Fine Paper Industry to specialize and rationalize its operations. Yet without this, it becomes more difficult to secure a competitive advantage in the high volume, low price system of the North American market. Such an expansion of our product lines has adversely affected our profit margins.

The unpegging of the Canadian dollar also reduced sales revenues. Exports which had reached 25% of our production at mid-year, were only marginally profitable. The high exchange rate eliminated this margin on many grades and caused losses on receivables and contractual orders which had to be delivered at firm prices in American currency.

**Manufacturing Costs**

Manufacturing costs increased substantially as a result of higher wages and higher pulp prices.

A majority of pulp and paper producers negotiated new labour contracts in 1970. The cost of these settlements was inflationary as they did not reflect corresponding productivity increases.

Following this pattern, your Company renewed its collective agreements with all of its employees. They provide for wage increases retroactive to May 1 for St. Jerome and Mont Rolland and November 21 for Canada Glazed Papers Limited employees. Together with other increases granted in the course of the year, they represent additional operating expenses of $750,000.

The price of pulp, our principal raw material, has increased at such a rate since 1969 that our expenses on this item alone increased by $2 million in 1970 on a reduced volume.

Because of the minimal growth of the American economy and the severe competition from United States manufacturers operating under capacity, Canadian manufacturers were unable to match these cost increases with higher prices.

Faced with these results, the organization reduced all possible expenses and curtailed capital expenditures. In an effort to diversify our interests and secure a greater control over our markets, we acquired a second wholesale distributor operation, The Wilson-Munroe Company Limited, with warehouses and sales offices in Toronto and Montreal.

**Outlook**

The outlook for 1971 appears more promising. Selective price increases, averaging less than 2% have already been announced and will become effective February 19. The Canadian and American governments have modified their policies to encourage investment and stimulate overall business activity. A resumption of growth could increase demand in both countries, reduce the over capacity and allow a return to more stable price structures.

**Administration**

Two Directors with many years of experience in the Pulp and Paper Industry, Messrs. George M. Hobart and Roy H. Ecclestone, retired from the Board last February and May respectively. They have served your Company well and the members of the Board join me in expressing warm appreciation for their valuable contribution.

To replace them, two new members joined your Board of Directors during 1970.

In March, the Honourable John B. Aird was elected to the Board. Mr. Aird is a member of the Senate and a senior partner of the law firm of Edison, Aird and Berlis of Toronto.

In October, Mr. Paul Chapdelaine, President of St. Lawrence Cement Company was elected to your Board.

Mr. Marc Rolland, Vice-President and Production Consultant retired in September, culminating a distinguished career spanning over forty years. He has contributed much to the growth of your Company and we welcome his decision to remain a member of your Board.

Mr. Bruno C. Julien was appointed Vice-President, Personnel in June 1970.

**Appreciation**

Since resumption of operations, the relationship between employees and management has been one of close cooperation. This working rapport has allowed for improved operations.

A continually expanding degree of employee participation will provide us with the resourcefulness necessary to meet the challenges of the coming year.

Your Directors wish to express their appreciation to all those employees who, during this difficult year, have helped the Company effectively. They gave full cooperation by contributing their sustained and loyal efforts in the performance of their duties, and indeed gave a full measure of themselves and of their departments.

On behalf of Board of Directors,

Lucien G. Rolland
President and General Manager

Montreal, February 3, 1971

**Earnings and Dividends**

Consolidated net loss of $421,871 for the year 1970 compared with consolidated net earnings of $1,536,074 last year. It represented a loss of $0.25 per "A" share, and $0.29 per "B" share in 1970, compared to net earnings of $0.82 and $0.77 per share respectively in 1969.

Consolidated net sales of $34,084,751 were 4.4% lower than last year while cost of sales of $30,436,237 was 3.6% higher than last year, clearly indicating the profit squeeze situation which developed in 1970. The resulting gross profit of $3,648,514 is $2,617,339 or 41.8% lower than last year. This dramatic deterioration in our profit margin was fully discussed in the Directors' report.

Operating results of Fine Papers Limited, acquired at the end of 1969, were included in our consolidated income and expense statement for the first time this year, while results of The Wilson-Munroe Company Limited were excluded.

Quarterly dividends of $0.10 per class "A" share and $0.08¾ per class "B" share were declared for the first three quarters of 1970, bringing total distribution for the year to $0.30 per class "A" and $0.26¼ per class "B" share. These dividend payments were warranted by favourable operating results during the first six months of the year. Total common and preferred dividend disbursements amounted to $594,442 in 1970, compared to $772,444 in 1969.

**Financial Position**

An amount of $658,458 was spent to improve plant and equipment in 1970. The Company also acquired on November 11, 1970, all the issued shares of The Wilson-Munroe Company Limited, a wholesale distributor with sales offices and warehouses in Toronto and Montreal. The excess of consideration for the acquisition of the shares of The Wilson-Munroe Company Limited over their book value has been treated as an asset on our consolidated balance sheet.

An amount of $684,562 was disbursed to retire and redeem $726,500 of our long-term debt at a profit of $41,938. $300,000 was applied against the 5½% serial debentures and $426,500 was used to redeem the 4¼% Sinking Fund bonds. The requirements of the Sinking Fund of this issue are now satisfied until January 2, 1972.

Consolidated working capital of $7,750,985 at December 31, 1970 is lower than last year, and it is considered satisfactory for current operations. Accounts receivable and inventories are higher than last year, following the consolidation of assets and liabilities of The Wilson-Munroe Company Limited at December 31, 1970. Surplus funds were invested during the year in short-term investments at highly favourable interest rates.

Retained earnings of $9,177,500 at December 31, 1970 are $1 million lower than last year, as a result of our operating loss and the payment during part of the year of dividends on the class "A" and the class "B" shares.

**Marketing**
Several factors contributed to the unsatisfactory marketing results of the past year.

The most far reaching was the four month period of reduced capacity and shut-down of operations at our two uncoated paper mills. This was a blow to our normally very satisfactory relationships with our customers. Our competitiveness being seriously jeopardized, many of them turned to other sources of supply.

Although operations have resumed since mid-September, several weeks will be necessary before we can re-establish our share of market.

The Canadian fine paper market's instability was a further deteriorating factor. A low tariff barrier and over capacity in United States mills favoured American exports to Canada. Cheaper grades were thus more readily available. To protect their market share, Canadian manufacturers introduced new and lower priced grades while downgrading their product mix. Faced with this severe competition, your Company launched new products, often at the risk of hurting well established domestic lines, lowered its prices and increased exports to use available capacity.

Combined with lower sales, these decisions hurt our overall contribution.

Another significant factor was the progressive integration of merchants and converters with fine paper manufacturers. In securing a more captive market for the mills, this forward integration is restricting the market and the reciprocal independance of suppliers. Our acquisition of a second fine paper distributor, The Wilson-Munroe Company Limited with offices and warehouses in Toronto and Montreal will afford us more flexibility in this regard. Together with Fine Papers Limited, we now enjoy excellent merchant representation in Toronto and Montreal.

1971 will be a demanding year. Our objectives are to regain our share of market, re-establish profitability to more acceptable levels and give our organization an improved product line to compete in a changing market.

## Production

Operations at both Mont Rolland and St. Jerome were seriously disturbed during the year. At the end of the contract with the Unions on April 30, 7-day operations were discontinued and on July 28, all production facilities were shut-down by a strike which ended in September. Finally, the year-end volume of business forced us to temporarily shorten the work week and to dismiss several of our employees.

A marked increase in the cost of raw materials and labour required exceptional efforts to minimize their effect on manufacturing costs and to increase productivity. The cost reduction program initiated in 1969 was pursued vigorously and results have been quite satisfactory.

Several other projects were initiated or continued. Our second biggest paper machine was substantially improved. On-line control through the use of our process computer has been extended to the stock preparation area thereby insuring a more reliable production and a more uniform quality.

Finishing operations were improved through the installation of new machinery, the adoption of better control methods and a reorganization of responsibilities.

As a result, overall productivity has increased. The operations of the past three months are evidence to that effect and we are hopeful that such a progress will be continued in 1971.

## Research

Control of water pollution was one of our priorities in 1970. At year-end, the St. Jerome and Mont Rolland mills met the criteria set by the Quebec Water Board to the Pulp and Paper Industry.

It should be noted that any decrease beyond this level will require substantial capital expenditures which the Company can ill afford at this time.

Through the cooperation of our research team, the manufacturing process for coated papers was improved. Several new printing and decorative papers were developed, some of which are already in production and others which will soon be available.

## Personnel

Much emphasis was given to training and development of our human resources during the year. The objective, beside self-improvement, was to increase the effectiveness and the productivity of all groups concerned.

A management development course was given to all Managers, Department heads and Supervisors of both St. Jerome and Mont Rolland mills.

Technical development courses for paper machine operators were continued during the first half of the year.

The renewal of our collective agreement covering our hourly-paid employees at both St. Jerome and Mont Rolland was preceded by a long period of negotiation and of conciliation and unfortunately by a forty-two day strike. The settlement provides for a $0.15 hourly premium payable no later than November 1 for 7-day operations and wage increases of $0.25 per hour effective on both May 1, 1970 and May 1, 1971.

A new collective agreement covering all office employees was signed on October 9, 1970. It provides for weekly salary increases of $11.10 or 9.2% for 1970 and 1971 respectively.

A proposal to renew the collective agreement for a two-year period was ratified by the union membership of our coated mill at Scarborough, on January 24, 1971. It provides for a retroactive wage increase of 4% as of November 21, 1970 and an additional increase of 3% starting May 1, 1971.

Several phases of a human relations and communication programme were implemented during the course of the year. We are confident that this particular programme will efficiently support actions taken to restore the profitability of our operations.

**Rolland Paper Company, Limited**

| | Year ended December 31 | |
|---|---|---|
| | **1970** | 1969 |
| **Net Sales** | **$34,084,751** | $35,647,256 |
| Cost of sales | **30,436,237** | 29,381,403 |
| Gross profit | **3,648,514** | 6,265,853 |
| Selling and administrative expenses—Note 8 | **3,023,190** | 2,231,890 |
| Depreciation | **1,256,525** | 1,206,907 |
| Bond interest | **484,456** | 520,189 |
| | **4,764,171** | 3,958,986 |
| | **(1,115,657)** | 2,306,867 |
| Interest and other income | **264,934** | 508,038 |
| Earnings (loss) from operations before income taxes | **(850,723)** | 2,814,905 |
| Income taxes | **(324,414)** | 1,443,743 |
| Net earnings (loss) from operations | **(526,309)** | 1,371,162 |
| Dividend income | **62,500** | 125,000 |
| Excess of par value over purchase price of bonds redeemed | **41,938** | 39,912 |
| **Net earnings (loss) for the year** | **$ (421,871)** | $ 1,536,074 |
| **Net earnings (loss) per share**—Note 9 | | |
| Per Class "A" share | **$ (0.25)** | $ 0.82 |
| Per Class "B" share | **(0.29)** | 0.77 |

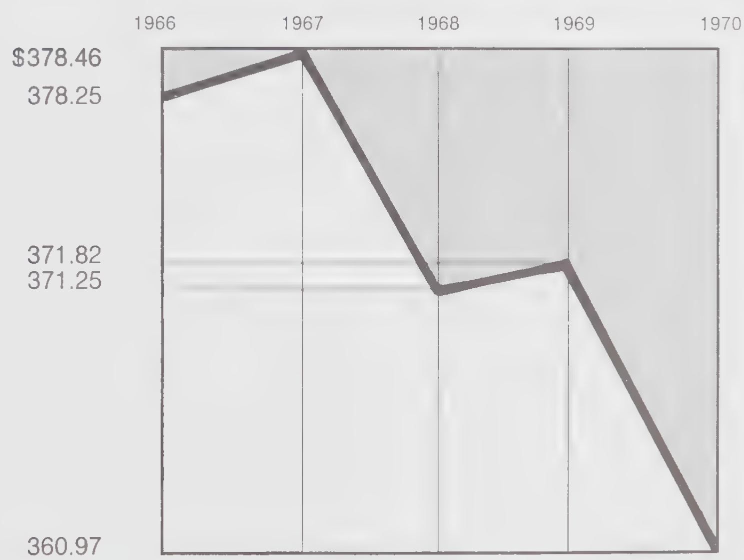
**Rolland Paper Company, Limited**

Statement of Consolidated Source and Application of Funds

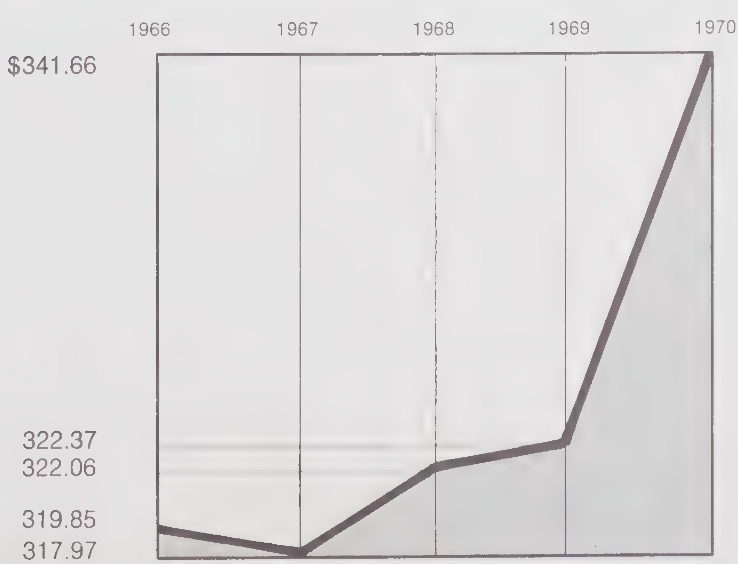
| | Year ended December 31 1970 | 1969 |
|---|---|---|
| **Source of funds** | | |
| Cash flow from operations | | |
| Net earnings (loss) | **$ (421,871)** | $ 1,536,074 |
| Depreciation | **1,256,525** | 1,206,907 |
| Deferred income taxes | **(249,023)** | (77,100) |
| | **$ 585,631** | $ 2,665,881 |
| **Application of funds** | | |
| Capital expenditures—net | **$ 658,458** | $ 840,881 |
| Long-term debt reduction | **726,500** | 504,500 |
| Dividends | **594,442** | 772,444 |
| Investment in subsidiary companies net of working capital acquired: | | |
| The Wilson-Munroe Company Limited | **756,569** | — |
| Fine Papers, Limited | **—** | 381,513 |
| | **2,735,969** | 2,499,338 |
| **Increase (decrease) in working capital** | **(2,150,338)** | 166,543 |
| | **$ 585,631** | $ 2,665,881 |
| **Working capital** | **$ 7,750,985** | $ 9,901,323 |

Consolidated Net Sales


Net Sales Per Ton Manufacturing




Cost of Sales Per Ton Manufacturing



**Rolland Paper Company, Limited**

Consolidated Balance Sheet

| | At December 31 | |
|---|---|---|
| | **1970** | 1969 |
| **Assets** | | |
| **Current** | | |
| Cash | **$ 139,516** | $ 563,587 |
| Short-term investments at cost (market value $1,302,302) | **1,302,302** | 3,665,414 |
| Accounts receivable | **4,706,242** | 3,868,733 |
| Income taxes recoverable | **669,137** | — |
| Inventories—Note 2 | **6,639,591** | 5,659,168 |
| Prepaid expenses | **161,736** | 170,726 |
| | **13,618,524** | 13,927,628 |
| **Investment at cost**—Note 3 | **5,862,651** | 5,862,651 |
| **Fixed** | | |
| Property, plant and equipment—Note 4 | **15,780,321** | 15,934,251 |
| **Excess** of consideration for acquisition of shares of subsidiaries over their book value | **588,647** | 257,315 |
| | **$35,850,143** | $35,981,845 |

On behalf of the Board:
Lucien G. Rolland, Director
J. A. Weldon, Director

| | | 1970 | 1969 |
|---|---|---|---|
| | | At December 31 | |
| **Liabilities** | | | |
| **Current** | | | |
| Bank indebtedness, partly secured | | **$ 1,596,437** | $ 179,567 |
| Accounts payable and accrued liabilities | | **3,955,363** | 3,414,762 |
| Income taxes payable | | **15,739** | 131,976 |
| Long-term debt instalment due within one year | | **300,000** | 300,000 |
| | | **5,867,539** | 4,026,305 |
| **Long-term debt**—Note 5 | | **8,024,500** | 8,751,000 |
| **Deferred income taxes** | | **4,195,921** | 4,426,044 |
| **Shareholders' equity** | | | |
| **Capital**—Note 6 | | | |
| Authorized | | | |
| 24,800 Preferred shares of $100 each issuable in one or more series | | | |
| 2,400,000 Class "A" and 800,000 Class "B" shares without nominal or par value | | | |
| Issued | | | |
| 14,220 4¼% Cumulative redeemable preferred shares | $ 1,422,000 | | |
| 1,360,016 Class "A" and 480,008 Class "B" shares | 7,162,683 | | |
| | 8,584,683 | | |
| **Retained earnings—for use in the business**—Note 7 | 9,177,500 | **17,762,183** | 18,778,496 |
| | | **$35,850,143** | $35,981,845 |

**Rolland Paper Company, Limited**
Statement of Consolidated Retained Earnings

| | Year ended December 31 | |
|---|---|---|
| | **1970** | 1969 |
| **Retained earnings at beginning of year** | **$10,193,813** | $ 9,430,183 |
| Net earnings (loss) for the year | **(421,871)** | 1,536,074 |
| | **9,771,942** | 10,966,257 |
| Dividends | | |
| Preferred shares | **60,435** | 60,435 |
| Class "A" shares | **408,005** | 544,006 |
| Class "B" shares | **126,002** | 168,003 |
| | **594,442** | 772,444 |
| **Retained earnings at end of year** | **$ 9,177,500** | $10,193,813 |

**Note 1—Principles of consolidation**

The consolidated financial statements include the accounts of Rolland Paper Company, Limited and its wholly owned subsidiaries, Canada Glazed Papers Limited, Fine Papers, Limited and The Wilson-Munroe Company Limited. The operating results of Fine Papers, Limited, a subsidiary acquired on December 12, 1969, are included for the first time in the consolidated statement of income and expense for the year ended December 31, 1970 while those of The Wilson-Munroe Company Limited, a subsidiary acquired on November 11, 1970, are not reflected therein.

**Note 2—Inventories,** at the lower of cost and net realizable value

| | **1970** | 1969 |
|---|---|---|
| Finished paper and paper in process | **$ 4,721,952** | $ 4,109,280 |
| Raw materials, wires, felts and supplies | **1,478,082** | 1,163,620 |
| Repair parts and maintenance materials | **439,557** | 386,268 |
| | **$ 6,639,591** | $ 5,659,168 |

**Note 3—Investment at cost**

This investment consisting of common shares of Consolidated-Bathurst Limited is not considered by the Company to be of a current nature. Market quotations at December 31, 1970 indicated a value of $1,500,000.

**Note 4—Property, plant and equipment**

| | Cost | Accumulated Depreciation | **Net 1970** | Net 1969 |
|---|---|---|---|---|
| Machinery and equipment | $25,208,837 | $13,968,908 | **$11,239,929** | $11,610,449 |
| Buildings | 6,567,916 | 2,904,182 | **3,663,734** | 3,643,898 |
| Leasehold improvements | 236,343 | 113,715 | **122,628** | 127,272 |
| Water power | 300,000 | — | **300,000** | 300,000 |
| Land | 454,030 | — | **454,030** | 252,632 |
| | $32,767,126 | $16,986,805 | **$15,780,321** | $15,934,251 |

Depreciation is provided using the straight-line method in the manufacturing companies and the diminishing balance method in the wholesale distributor companies.

**Note 5—Long-term debt**

| | | 1970 | 1969 |
|---|---|---|---|
| Rolland Paper Company, Limited | | | |
| First Mortgage Bonds 4½% Sinking Fund Bonds due January 2, 1975 | $ 4,000,000 | | |
| Deduct | | | |
| Bonds redeemed and cancelled including $773,500 in anticipation of future Sinking Fund Requirements of which $201,500 is applicable to the balance due January 2, 1975 | 3,173,500 | **$ 826,500** | $ 1,253,000 |
| Sinking Fund Requirements | | | |
| $300,000 per annum January 2, 1971-1974 | | | |
| Balance of $400,000 due January 2, 1975 | | | |
| Debentures—Series "A" | | | |
| 5½% Serial Debentures, due $300,000 July 2, 1971 | 300,000 | | |
| Deduct | | | |
| Instalment due within one year included in current year liabilities | 300,000 | **—** | 300,000 |
| 5¾% Sinking Fund Debentures, due July 2, 1984 | 7,500,000 | | |
| Deduct | | | |
| Debentures redeemed and cancelled in anticipation of future Sinking Fund Requirements | 302,000 | **7,198,000** | 7,198,000 |
| Sinking Fund Requirements | | | |
| $300,000 per annum July 2, 1972-1979 | | | |
| $500,000 per annum July 2, 1980-1983 | | | |
| Balance of $3,100,000 due July 2, 1984 | | | |
| | | **$ 8,024,500** | $ 8,751,000 |

The declaration of dividends and the redemption of preferred shares of Rolland Paper Company, Limited are restricted if such declaration or redemption result in a reduction of the working capital of the Company to an amount less than $2,000,000.

**Note 6—Capital**

The preferred shares of the 4¼% series are redeemable at $104 per share and are non-voting unless four quarterly dividends are in arrears. Class "A" shares are non-voting unless the company shall fail, for a period of two consecutive years, to pay any dividend on such shares.

Class "A" shares are entitled to a non-cumulative dividend at the rate of 10 cents per share per annum before payment of any dividend on Class "B" shares. If in any fiscal year dividends at the rate of 5 cents per share per annum are paid on Class "B" shares, any further distribution in respect of that fiscal year shall be made equally, share for share, upon all outstanding Class "A" and Class "B" shares.

**Note 7—Retained earnings**

An amount of $258,000 of retained earnings is restricted under Section 61 of the Canada Corporations Act as a result of the redemption of 2,580 preferred shares in past years.

**Note 8—Directors' remuneration**

Administrative expenses include remuneration of $160,600 (1969 - $147,900) paid to directors as directors or officers.

**Note 9—Net earnings (loss) per share**

The net earnings (loss) per share are calculated after taking into account the differential in the dividends paid during the year to the Class "A" and Class "B" shares.

## Auditors' Report to the Shareholders

The Shareholders,
Rolland Paper Company, Limited,
Montreal, Que.

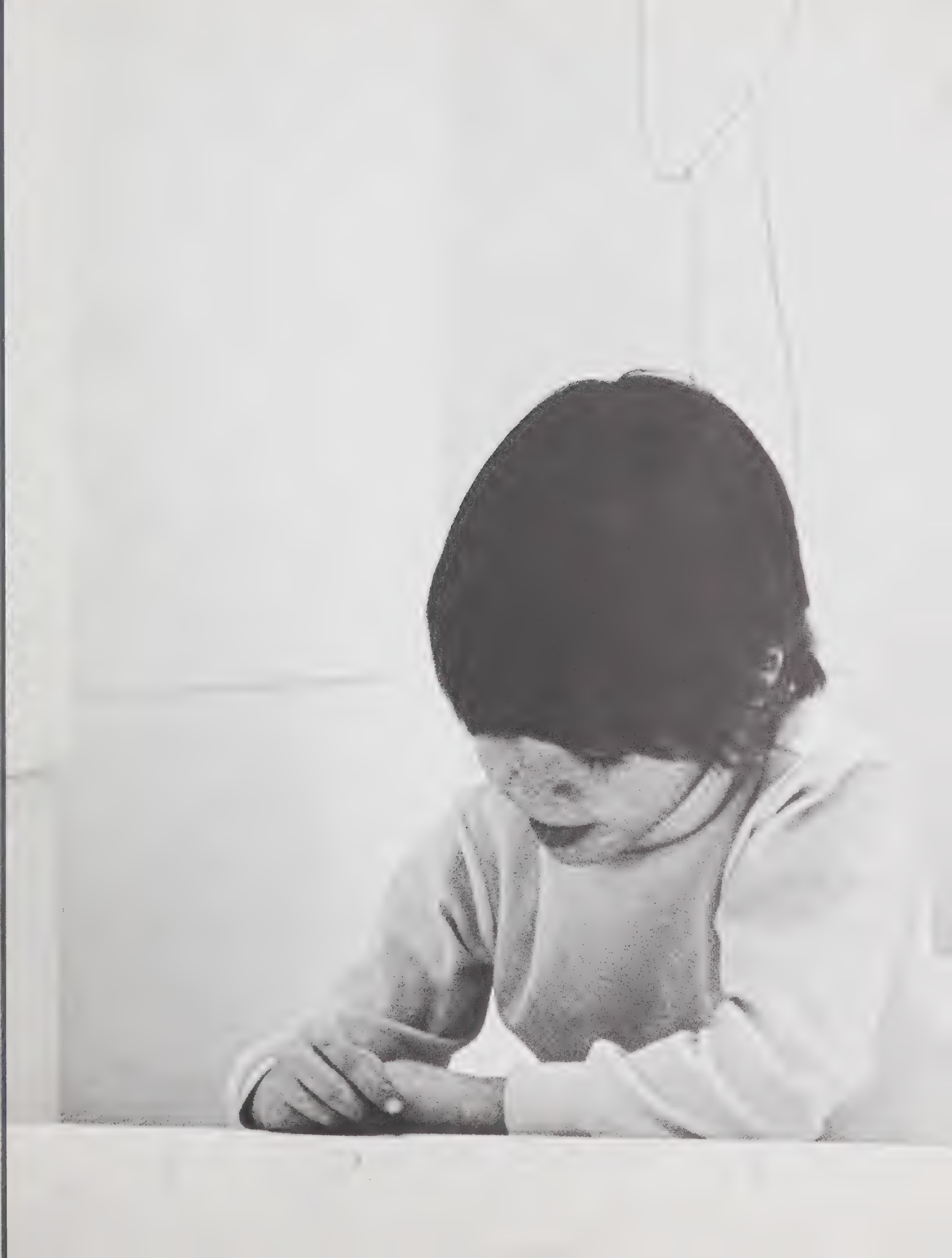
We have examined the consolidated balance sheet of Rolland Paper Company, Limited and its subsidiaries as at December 31, 1970 and the consolidated statements of income and expense, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE, ROSS & CO.
Chartered Accountants.

Touche Ross & Co.

Montreal, Que.
February 2, 1971.



## Ten Year Comparative Statistics

| | | 1970 |
|---|---|---|
| **Sales and earnings** | Net sales | **$34,084,751** |
| | Dividend income | **62,500** |
| | Depreciation | **1,256,525** |
| | Bond interest | **484,456** |
| | Earnings (loss) before income taxes | **(746,285)** |
| | Income taxes | **(324,414)** |
| | Net earnings (loss) | **(421,871)** |
| | Cash flow | **585,631** |
| | Percentage of net earnings (loss) to net sales | **(1.2%)** |
| | Percentage of net earnings (loss) to total assets | **( .8%)** |
| **Distribution of earnings** | Dividend on preferred shares | **$ 60,435** |
| | Dividend on class "A" and "B" shares | **534,007** |
| | Retained in the business | **(1,016,313)** |
| **Per share*** | Net earnings (loss) per class "A" share | **$ (0.25)** |
| | Dividend per class "A" share | **0.30** |
| | Cash flow per class "A" share | **0.30** |
| | Book value per class "A" and "B" shares | **8.85** |
| **Financial** | Assets: | |
| | Working capital | **$ 7,750,985** |
| | Investment in securities | **5,862,651** |
| | Fixed assets, net | **15,780,321** |
| | Other assets | **588,647** |
| | Total working capital and other assets | **29,982,604** |
| | Financed by: | |
| | Long-term debt | **8,024,500** |
| | Deferred income taxes | **4,195,921** |
| | Preferred shares | **1,422,000** |
| | Class "A" and "B" shareholders equity | **16,340,183** |
| | | **29,982,604** |
| | Ratio of current assets to current liabilities | **2.3:1** |
| | Capital expenditures | **$ 693,710** |
| **Other statistics** | Number of shareholders | **2,377** |
| | Number of employees | **1,289** |

NOTE:
Results of Canada Glazed Papers Limited are included from February 24, 1964 and results of Fine Papers, Limited from January 1, 1970.

| 1969 | 1968 | 1967 | 1966 | 1965 | 1964 | 1963 | 1962 | 1961 |
|---|---|---|---|---|---|---|---|---|
| $35,647,256 | $34,903,154 | $32,880,771 | $29,935,187 | $28,290,544 | $26,032,008 | $20,633,530 | $20,455,394 | $19,379,905 |
| 125,000 | 125,000 | 250,000 | 262,500 | 184,375 | — | — | — | — |
| 1,206,907 | 1,216,595 | 1,148,587 | 1,072,238 | 817,640 | 698,358 | 559,077 | 534,970 | 558,821 |
| 520,189 | 544,214 | 569,739 | 597,001 | 638,021 | 372,386 | 144,654 | 153,985 | 160,752 |
| 2,979,817 | 2,645,318 | 3,612,328 | 2,994,320 | 3,297,750 | 2,759,939 | 2,586,179 | 2,468,021 | 2,235,482 |
| 1,443,743 | 1,238,949 | 1,723,463 | 1,265,915 | 1,531,424 | 1,420,628 | 1,310,063 | 1,263,796 | 1,125,503 |
| 1,536,074 | 1,406,369 | 1,888,865 | 1,728,405 | 1,766,326 | 1,339,311 | 1,276,116 | 1,204,225 | 1,109,979 |
| 2,665,881 | 2,486,965 | 3,061,031 | 3,993,637 | 4,115,390 | 2,397,169 | 1,948,293 | 1,915,595 | 1,763,000 |
| 4.3% | 4.0% | 5.7% | 5.8% | 6.2% | 5.1% | 6.2% | 5.9% | 5.7% |
| 3.0% | 2.9% | 3.8% | 3.7% | 4.0% | 3.7% | 5.2% | 5.2% | 5.0% |
| $ 60,435 | $ 60,435 | $ 61,513 | $ 64,993 | $ 71,400 | $ 71,400 | $ 71,400 | $ 71,400 | $ 71,400 |
| 712,009 | 712,009 | 712,009 | 712,009 | 490,507 | 408,007 | 408,007 | 336,006 | 327,005 |
| 763,630 | 633,925 | 1,115,343 | 951,403 | 1,204,419 | 859,904 | 796,709 | 796,819 | 711,574 |
| $ 0.82 | $ 0.74 | $ 1.01 | $ 0.92 | $ 1.00 | $ 0.90 | $ 0.85 | $ 0.80 | $ 0.74 |
| 0.40 | 0.40 | 0.40 | 0.40 | 0.30 | 0.30 | 0.30 | 0.25 | 0.24 |
| 1.43 | 1.33 | 1.64 | 2.15 | 2.36 | 1.63 | 1.32 | 1.30 | 1.19 |
| 9.40 | 8.99 | 8.64 | 8.03 | 8.02 | 4.69 | 5.06 | 4.50 | 3.94 |
| $ 9,901,323 | $ 9,734,780 | $ 9,680,578 | $ 9,522,411 | $ 8,408,378 | $ 5,542,112 | $ 5,066,795 | $ 4,461,880 | $ 4,041,781 |
| 5,862,651 | 5,862,651 | 5,862,651 | 5,862,651 | 5,862,651 | — | — | — | — |
| 15,934,251 | 16,176,079 | 16,136,194 | 15,651,253 | 15,500,429 | 11,211,744 | 8,128,535 | 8,097,641 | 7,725,021 |
| 257,315 | — | 88,662 | 118,848 | 490,308 | 5,153,000 | — | — | — |
| 31,955,540 | 31,773,510 | 31,768,085 | 31,155,163 | 30,261,766 | 21,906,856 | 13,195,330 | 12,559,521 | 11,766,802 |
| 8,751,000 | 9,255,500 | 9,748,000 | 10,217,000 | 11,267,000 | 11,879,500 | 3,077,000 | 3,351,000 | 3,531,500 |
| 4,426,044 | 4,503,144 | 4,639,144 | 4,615,565 | 3,422,571 | 1,522,231 | 1,117,600 | 1,004,500 | 828,100 |
| 1,422,000 | 1,422,000 | 1,422,000 | 1,479,000 | 1,680,000 | 1,680,000 | 1,680,000 | 1,680,000 | 1,680,000 |
| 17,356,496 | 16,592,866 | 15,958,941 | 14,843,598 | 13,892,195 | 6,825,125 | 7,320,730 | 6,524,021 | 5,727,202 |
| 31,955,540 | 31,773,510 | 31,768,085 | 31,155,163 | 30,261,766 | 21,906,856 | 13,195,330 | 12,559,521 | 11,766,802 |
| 3.5:1 | 4.2:1 | 2.9:1 | 3.7:1 | 3.6:1 | 2.3:1 | 2.9:1 | 2.7:1 | 2.5:1 |
| $ 841,311 | $ 1,261,104 | $ 1,639,203 | $ 1,215,420 | $ 5,154,185 | $ 3,011,934 | $ 591,885 | $ 907,746 | $ 1,011,293 |
| 2,330 | 2,330 | 2,343 | 2,491 | 2,518 | 2,331 | 1,889 | 1,839 | 1,633 |
| 1,288 | 1,325 | 1,308 | 1,260 | 1,163 | 1,121 | 877 | 905 | 872 |

*Net earnings, dividend and cash flow per class "B" share are 5 cents less than per class "A" share, except in 1970 when the differential is 4 cents.

*1965 per share calculated on average number of shares for the year.

The cover of the Report is printed on Rolland Glowhite Offset, Basis 240M and the inside pages on Rolland Glowhite Offset, Basis 200M.